

# local insights

wasatchfrontsouth

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An economic and labor market analysis of the Wasatch Front South Area

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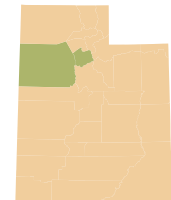


## Recipients of Unemployment Benefits and the Recession

BY JAMES ROBSON, ECONOMIST

In 2007, prior to the onset of the Great Recession, the unemployment rate began to increase in most communities across our nation. This was certainly true in Utah, along the Wasatch Front and in Salt Lake and Tooele Counties. In mid-2007 the jobless rate in Salt Lake was about 2.5 percent, a rate considered well beyond full employment. In any economy, no matter how strong and vibrant, there will always be measureable joblessness as people move in and out of the labor market and there is an imperfect match between the number of individuals looking for work and the employers who are hiring. Tooele County was at full employment in the summer of 2007 with an estimated jobless rate of 2.8 percent.

As the economy began to slow with the deflating of what we clearly now know was a major housing bubble, unemployment began to pick up gradually, with the national economy sliding into recession. In July 2008, eight months into the recession, joblessness was 3.1 percent and 3.5 percent in Salt Lake and Tooele Counties respectively, still considered favorably low. Then in August and September 2008 and proceeding into the winter months, the national and international financial systems fell into disarray, credit was unavailable and businesses in virtually all industries were shedding jobs. Job losses and increases in the number of unemployed workers occurred throughout 2009 so that by November the Salt Lake County unemployment rate had peaked at 8.1



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*Not only have people stayed unemployed longer as a result of the severity of the Great Recession, UI data also indicates that when they do return they likely earn considerably less income than before.*

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*Continuing job growth in almost all industrial sectors and an improving labor market will continue to characterize economic conditions in the coming months.*

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*Though the details of Unemployment Insurance have changed over time, the goal has always been to help protect individuals and the economy.*

Figure 1: Claimants by Age and Gender

Age	Female	Male	Total
16 to 19	2.1%	1.7%	1.8%
20 to 24	15.8%	13.8%	14.5%
25 to 34	30.1%	33.4%	32.3%
35 to 44	21.2%	22.3%	21.9%
45 to 54	19.4%	18.0%	18.4%
55 to 64	10.0%	9.5%	9.7%
65+	1.4%	1.4%	1.4%





## Recipients Cont.

percent and Tooele County had reached 8.9 percent.

While the recession officially ended in July 2009, as the economy ever so slowly began to rebound, jobless rates continued to increase through the end of the year. The economy nationally and in Utah has been growing for the past three years as we have now passed through the summer of 2012, but the rate of expansion has been somewhat erratic and relatively sluggish. The labor market has gradually improved, but many are still left wanting more and better employment opportunities.

By the end of 2011, unemployment had subsided to 5.7 percent and 6.2 percent in Salt Lake and Tooele Counties, respectively. During the first half of 2012, even with job growth in Wasatch Front South above 3.2 percent, unemployment rates have been essentially unchanged.

## Viewing the Recession through UI Data

To assess the impact of job losses and profile unemployment during the worst part of the recession and the relatively slow economic recovery, Workforce Services has extracted a data set of all those who filed for unemployment insurance benefits and received payments during 2009 and 2010. Using the department's Unemployment Insurance (UI) program's administrative information, we can look back to 2008 to determine the payroll wages by industry received by these individuals prior to their bout of unemployment and the length of their unemployment and look forward to the present to answer questions about their re-employment.

Figure 2: Claimants that Exhausted Their Benefits

Weeks of UI Payments	Number of Claimants	Percent of Total
1 to 13	1,508	8.2%
14 to 26	4,674	25.5%
27 to 39	4,553	24.9%
40 to 52	2,799	15.3%
53 to 65	2,276	12.4%
66 to 76	2,511	13.7%
<b>Total</b>	<b>18,321</b>	<b>100.0%</b>

This analysis deals with the jobless who qualify for unemployment benefits, admittedly a subset of the total unemployed, but it is a data set ready-made and available. New labor force entrants, the self-employed or those who are released from a job with cause (such as lack of performance) do not qualify for unemployment benefits and are not part of this study. In summary, this analysis consists of individuals who started a new Unemployment Insurance (UI) claim and received payments in 2009 or 2010, ending this episode on UI by the end of 2010. Anyone still collecting UI into 2011 was excluded because one important purpose of the analysis was to have a full year to examine payroll wage records after they stopped receiving UI benefits to see what happened to them relative to re-employment.

It should be noted that the data set used in this analysis was extracted with no personal identifying information. Names, addresses, identification numbers or place of work were never part of the study data set. Actual individuals cannot be identified by the

researchers or the results of this analysis.

There were about 41,800 UI claimants in the two counties (Salt Lake and Tooele) that comprise the Wasatch Front South region. Of the total claimants, 94.5 percent lived in Salt Lake and 5.5 percent lived in Tooele. About 2.7 percent of all payroll jobs in Wasatch Front South are in Tooele County. The higher percent of total claimants of 5.5 is consistent with a higher unemployment rate compared to Salt Lake, characteristics of the labor force and industry mix, accounting for a greater degree of claimants relative to number of payroll jobs in Tooele.

## Claimants by Gender and Age

Of the 41,800 UI claimants, almost two-thirds, 65.4 percent, were male. Overall, we know from other survey data that the labor force in Salt Lake and Tooele Counties is 54.8 percent male and 45.2 percent female. The claimant data suggests that men were more heavily impacted by unemployment during the study period than women were, as larger job losses were suffered in industries that have high concentrations of

**Figure 3: Income Distribution for Claimants who Exhausted Their Benefits One Year Before and One Year After Receiving Weekly UI Payments**

Annual Wages Dollars	Income Distribution Before		Income Distribution After	
	Count	Percent	Count	Percent
0	30	0%	4,400	24%
1 to 1,000	26	0%	786	4%
1,001 to 5,000	578	3%	1,914	10%
5,001 to 10,000	1,913	10%	2,212	12%
10,001 to 20,000	5,024	27%	3,886	21%
20,001 to 30,000	4,719	26%	2,690	15%
30,001 to 40,000	2,908	16%	1,373	7%
40,001 to 55,000	1,916	10%	734	4%
55,001 to 75,000	835	5%	301	2%
75,001 to 100,000	286	2%	102	1%
100,001 to 150,000	148	1%	11	0%
150,001 to 200,000	27	0%	21	0%
More than \$200k	14	0%	3	0%
<b>TOTAL</b>	<b>18,321</b>	<b>100%</b>	<b>18,321</b>	<b>100%</b>

male workers, such as construction. An age versus gender comparison of UI claimants in Wasatch Front South (see Figure 1) shows a higher degree of employment loss occurred among the 25- to 34-year-olds and to an even greater degree among men at 33.4 percent (compared to 30.1 percent of total female claimants). Of the entire labor force, 28.2 percent of men and 25.6 percent of women are 25 to 34 years old. The data suggest that job declines in 2009 and 2010 fell more heavily on these younger workers relative to their presence in the labor market, especially for men.

### Long Term Unemployed

One of the characteristics of the Great Recession and its aftermath has been a marked increase in the number of long-term unemployed who have found it difficult to regain employment, as many were receiving extended benefits from the federal government. Normally, the maximum number of benefit weeks an unemployed person can qualify for is 26—essentially six months. Various federal extensions passed by Congress increased the possible benefit weeks in Utah by 50 additional weeks (almost one year) so that someone with a sufficiently good unemployment history claiming unemployment during the study period could qualify for 76 weeks of unemployment benefits, or about two weeks short of a year and one half. Because of differences in qualifications, particularly employment history, many Utah claimants exhaust their benefits well short of 76 weeks.

During the study time frame, 18,321 individuals in Salt Lake and Tooele Counties exhausted their unemployment benefits, or 43.9 percent. Figure 2 shows a distribution of how many weekly payments someone received before they exhausted their benefits. Among those who exhausted their benefits, almost 59 percent received

**Figure 4: Claimants by Age and Benefit Status**

Age	Ended UI with Remaining Benefits	Exhausted UI Benefits
16 to 19	66%	34%
20 to 24	59%	41%
25 to 34	58%	42%
35 to 44	56%	44%
45 to 54	53%	47%
55 to 64	49%	51%
65+	43%	57%



## Recipients Cont.

less than 40 weeks of UI. Of these, 2,511 or 13.7 percent reached the final category, 66 to 76 weeks, before benefits ran out.

As would be expected, individuals who are jobless and receiving UI benefits are ostensibly looking for work each week they receive an unemployment benefit payment. Once their benefits end, their payroll job search could continue for a considerable time before gaining a job, they may drop out of the labor force (stop looking for work) or they may become self-employed. In any case, the data from this study shows a pronounced drop in income for the exhaustee population the year following the end of their employment benefits compared to the year prior to collecting and exhausting their benefits (see Figure 3). A year after their last unemployment check, 24 percent have no payroll income and an additional 14 percent had less than \$5,001 dollars of payroll income. Please note the emphasis on payroll income, as we do not know how much if any self-employment income these individuals may have.

The median payroll income of exhaustees the year prior to their period of unemployment was \$23,247, dropping 58 percent to \$9,770 the year after UI benefits were finished. Once again, remember that self-employment income is not included in either year, pre- or post-UI benefits.

Returning to the entire data set for Salt Lake and Tooele Counties we can compare the age distribution of those who did not exhaust their UI benefits with those who did (Figure 4). As age increases, so does the percentage of claimants who exhaust their benefits. This information compliments other labor force statistics, indicating that older workers who lost a job in this recession have a tendency to stay unemployed longer before finding work. Not only have people stayed unemployed longer as a result of the

**Figure 5: Comparison of Claimants' Industry Before and After Receiving Unemployment Benefits**

Industry Prior to Unemployment	Industry of First Job within One Year After End of Unemployment			
	Same Industry	Admin/ Waste*	Other Industry	No Job
Mining	31%	13%	40%	16%
Utilities	15%	23%	49%	13%
Construction	65%	9%	17%	9%
Manufacturing	46%	15%	25%	13%
Wholesale Trade	21%	17%	47%	15%
Retail Trade	33%	15%	35%	17%
Transportation/Warehousing	43%	12%	32%	13%
Information	20%	19%	45%	16%
Finance/Insurance	26%	17%	42%	15%
Real Estate/Rental	16%	14%	55%	15%
Professional/Sci/Tech	26%	16%	44%	14%
Headquarters	3%	20%	64%	12%
Administrative/Waste Services*	40%	0%	46%	14%
Private Education	36%	10%	37%	17%
Healthcare/Social Services	45%	10%	29%	16%
Arts/Entertainment/Recreation	45%	6%	38%	11%
Accommodation/Food	44%	11%	31%	14%
Other Services	21%	15%	47%	17%
Government	43%	8%	35%	15%
<b>Average for All Industries</b>	<b>41%</b>	<b>11%</b>	<b>35%</b>	<b>14%</b>

**The administrative services industry includes temporary employment services, which helps explain the switch to this industry.**



## Economic Indicators

BY JAMES ROBSON, ECONOMIST

### Widespread Job Growth

The Wasatch Front South economy continues to expand through the spring and summer of 2012 with healthy job growth and stable unemployment. Labor market conditions have improved considerably over the past two years. There are still some hangover effects from the recession with low levels of residential construction activity. Continuing job

growth in almost all industrial sectors and an improving labor market will continue to characterize economic conditions in the coming months.

### Salt Lake County

Employment opportunities have been expanding in most of the major industrial sectors at year-over growth rates above 2.5 percent since mid-2011 through the summer of 2012. The most new jobs are being created in trade, professional/

severity of the Great Recession, the UI data also indicates that when they do return they often earn considerably less income than before.

### Pre- and Post-Industry

During the year after ending unemployment benefits, for every 100 claimants, 86 had a payroll job with wages (see Figure 5). Of these, 41 were in the same major industry, and 46 were in a different industry. Finally, 14 out of 100 still did not have a job. Among those who worked in a different industry, most (11 percent) changed to administrative services. This industry includes temporary employment services, which helps to explain why so many people were found here. Of additional interest, while the construction industry was the hardest hit with job cuts during 2008 and 2009, it had the highest percent (65) of claimants returning to that industry after their period of unemployment. The second highest return rate was manufacturing at 46 percent.

### Conclusion

By evaluating the UI administrative data, we are able to quantify some of the hardship, career disruption, loss of income and subsequent re-employment of many who were caught up in the turmoil of the Great Recession. Currently, negative effects of the recession still linger for many across Utah. Fortunately, Utah's rate of job expansion in 2012 is above 3.0 percent on a year-over basis. In past years this growth rate would be about average and seem pretty good compared to the 1.3 percent national growth rate. However, the economic damage, accumulated high unemployment and underemployment and slow recovery of the past two years will necessitate growth rates above average before the labor market will have recovered from this last recession.

Figure 6: Payroll Job Growth March 2011–March 2012 by Industry

	Salt Lake County		Tooele County	
	Count	Percent	Count	Percent
Trade	3,582	4.0%	136	8.2%
Prof/Sci/Tech/HQ*	2,604	4.9%	42	6.3%
Admin Support/Waste**	2,520	6.3%	-281	-13.3%
Manufacturing	1,605	3.2%	149	9.5%
Leisure/Hospitality	1,427	3.0%	147	11.4%
Construction	1,237	4.5%	-160	-20.1%
Local Government	1,218	2.9%	28	1.1%
Transportation/Warehousing	1,202	4.7%	50	5.8%
State Government	1,164	3.0%	-3	-1.6%
Information	935	5.8%	-52	-23.3%
Healthcare/Social Services	797	1.4%	-1	-0.1%
Private Education	628	6.0%	-6	-4.5%
Mining	591	20.3%	-3	-3.9%
Other Private Services	580	3.3%	29	8.4%
Financial Activities	397	0.9%	-15	-4.7%
Utilities	-83	-5.1%	d	d
Federal Government	-553	-5.1%	-197	-10.5%
<b>TOTAL</b>	<b>19,815</b>	<b>3.5%</b>	<b>-138</b>	<b>-0.9%</b>

\*Prof/Sci/Tech/HQ -- Professional/Scientific/Technical Services and Management of Companies (Headquarters).

\*\*Admin Support/Waste -- Administration and Support/Waste/Remediation Services.

d = Not shown to avoid disclosure of individual firm data.

Source: Utah Department of Workforce Services.

business services, manufacturing and leisure/hospitality services.

Of course, the construction industry suffered the most significant job losses during the recession, but has added jobs throughout 2012 compared to 2011.

Admittedly, while construction is growing, it is expanding from a base level of total employment that is still far below the levels before the recession.

Of 17 major industrial groups, only 2 industries lost jobs from March 2011 to March 2012 (see Figure 6). Utilities saw a 5.1 percent reduction or 83 fewer jobs and the federal government declined by 5.1 percent, shedding 533 jobs.

Overall, payroll employment in Salt Lake County is expanding at a healthy pace, with March year-over job gains reported by employers totaling 19,815 or growth of 3.5 percent. Survey information indicates that the expansion of jobs continued through the summer of this year between 3 and 4 percent growth on a year-over basis.

### Unemployment

The seasonally adjusted unemployment rate in Salt Lake County peaked in November 2009 at 8.1 percent as a result of the recession. Over the past two and a half years the unemployment rate has declined gradually and has become stable during 2012, registering either 5.7 or 5.8 every month. Initial claims for unemployment benefits, while still above the incredibly low levels seen prior to the recession, are at their lowest levels in four years, averaging 682 per week in the second quarter of 2012.

The stabilization, improvement and expansion in the Salt Lake County labor market since mid-year 2010 have been reflected quite well in the gross taxable sales figures. For eight consecutive quarters,

second quarter 2010 through first quarter 2012, Salt Lake County year-over sales tax collections have been positive. The first quarter 2012 year-over increase was 11 percent.

### Construction Activity Improvement

As discussed earlier, construction has been the hardest-hit industry with the most significant job losses as a result of the recession. Salt Lake County construction activity hit bottom in 2010. While it is true that construction employment levels did not increase during 2011, overall measures of activity are off the bottom. In 2011, housing unit permits and valuations were up by 9.7 percent and 20.7 percent respectively. Admittedly these were not increases in single family homes but in multi-family

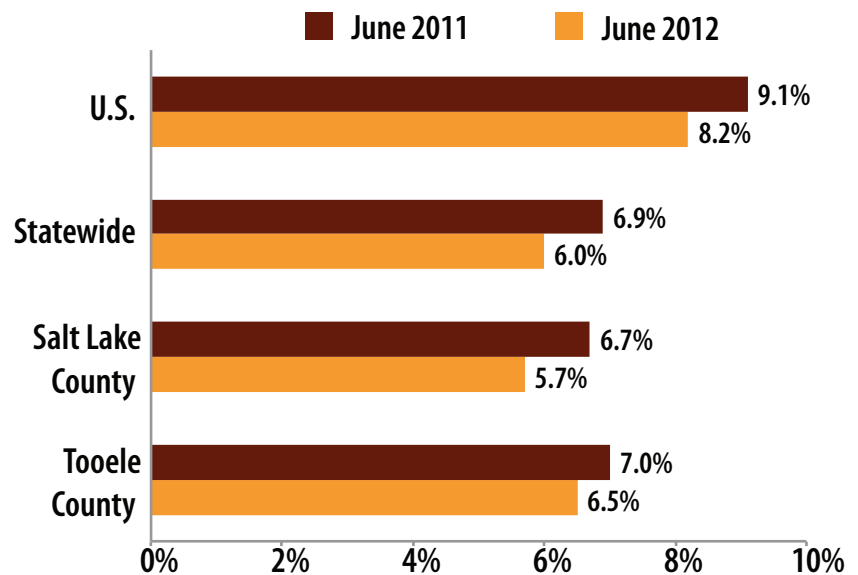
dwellings. 2011 non-residential permitted valuations were up by 103 percent and total construction valuations were up by 49.9 percent over 2010 levels.

For the first four months of 2012, overall construction activity, as measured by total permitted value of construction compared to same four months a year ago, is down by 12.5 percent.

### Tooele County

Tooele County's labor market experienced the transformation from an economy in recession to expansion during 2010. Year-over growth in jobs occurred in most industry sectors in the second-half of the year, driven by increases in the goods-producing industries of mining, construction and manufacturing.

**Figure 7: Unemployment Rate June 2011–June 2012**



Source: Utah Department of Workforce Services.

As was the case along most of the Wasatch Front, year-over job growth returned to Tooele County in the last six months of 2010. In December of 2010, jobs increased by a healthy 3.0 percent compared to the previous December with construction and manufacturing leading the way. The job expansion that looked so promising in the spring of 2011 halted and reversed course by the end of the year. In December of 2011, Tooele County recorded a year-over net job loss of 140. Private sector companies in the county added 117 jobs and government (federal, state, and local) shed 257. It is rare to see year-over government job losses by all three levels of government.

In March of 2012, on a year-to-year basis Tooele County shed 138 payroll jobs. During this time, federal government employment declined by 197. It was a mixed bag of job gains and job losses for private sector industries. The biggest job gains were in manufacturing, leisure/hospitality, and trade. The largest job losses were in administrative support/waste and in construction.

### **Deseret Chemical Depot Closure**

The Deseret Chemical depot finished its assignment, the destruction of the largest stockpile of U.S. chemical weapons that were located in Tooele County. This does not mean that this facility is closed. It will take over two years to decommission the facility and close it down. However, related job losses are occurring at various stages throughout 2013 and 2014.

Direct job reductions will impact waste management, professional/scientific/technical services, and federal defense industries. The loss of about 1,000 direct jobs, with associated declines in incomes and expenditures will result in reductions of about 300 to 500 additional jobs

throughout Tooele County and the larger regional economy. Indirect and induced job reductions would likely be larger if this was not a long planned for and anticipated event.

Part of the current economic sluggishness in the County economy is likely due to businesses, consumers and local governments being conservative in their economic plans in anticipation of the reduced demand with such a major reduction in jobs (about 10 percent of total jobs in the county) as the depot shuts down.

The labor market outlook Tooele County in the next few years is contraction. Business and government leaders will be working hard to generate new and compensating economic activities and growth. Tooele is of course, part of the greater Salt Lake Metropolitan area and has access to this wider labor market. Between 40 to 50 percent of county residents with payroll jobs commute to the Salt Lake area for employment. The current relative strength in the Salt Lake County labor market should provide support to Tooele County residents during this period of transition.

The lack of job growth in Tooele County is reflected in a somewhat higher unemployment rate of about 6.5 percent during the summer of 2012 compared to the 5.7 percent rate in Salt Lake County.

### **Outlook**

Overall for Wasatch Front South (Salt Lake and Tooele Counties), continuing job growth and a gradually improving labor market will characterize economic conditions through the end of 2012. The improving labor market has brought down the unemployment rate to about 5.7 percent where it has stabilized. Because of the considerable slack created in the labor

market during the recession and subsequent slow recovery, the unemployment rate will likely continue to range between 5.4 to 5.8 percent through 2012.

The expected continuing employment growth above 3 percent should generate enough new employment by the middle of 2013 to surpass the previous record number of jobs achieved at the end of 2007 at the onset of the last recession. ■

**Salt Lake and Tooele Counties enjoy continued employment growth that is expected to surpass the previous record number of jobs achieved.**



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## Economic Analysis

BY MELAUNI JENSEN

To safeguard the economy against short-term losses and help individuals who have lost their income because of a layoff, Utah enacted the first unemployment compensation law on August 29, 1936. On September 15 of that same year, the state received approval under the Social Security Act to administer unemployment insurance funds. The Department of Workforce Services is the administrator of the Unemployment Insurance Benefits program (commonly called UI) for Utah. Through this program, DWS collects contributions, determines eligibility, takes claims and pays benefits to unemployed workers.

Where does the money come from? In order to entice states to endorse some sort of program to help the unemployed, the federal government gave a tax incentive to employers in industrial and commercial industries who have eight or more employees working for at least 20 weeks in a calendar year. Through both the Social Security Act, which authorizes the use of grants toward states, and the Federal Unemployment Tax Act, which pays a portion of the cost for each state, funds are collected by DWS and kept in a trust fund account from which DWS can withdraw at any time and use exclusively for this program.

To be eligible for these benefits, unemployed workers must meet certain criteria as defined by DWS and then they will receive an amount based on their earnings over a recent 52-week period. To keep these temporary benefits, they must actively search for work

each week and document their searches. They are also offered free workshops and other resources to help in their efforts to obtain employment.

In 1970, due to a significant economic downturn in the late 1960s, an extended benefits program was developed between the federal government and the states to allow those who had exhausted their regular benefits to continue receiving benefits for an extended period of time. If the unemployment rate continued to be above 5 percent for more than 13 weeks, an eligible recipient was given extended benefits. By 1992, the states were given the option of taking on an additional formula that would trigger extended benefits. Today, extended benefits may be paid in Utah, provided that the state is in an extended benefit period as defined by the law and other requirements. This federal and state partnership and the rules and regulations are all intended to stabilize the economy and encourage employers to keep skilled labor and offer steadier employment.

As much as we would like to be rid of unemployment, it is a part of life. Even in the best of times, there will be individuals who are employable without a job for many different reasons. Over the years as the economy has changed, the Unemployment Insurance Benefits program has also changed the duration of benefits, qualifications, employers who are subject to the tax and requirements. More changes are likely to happen in the future as we face new challenges and learn new processes, all in an effort to help stabilize the economy.